

CORPORATE ENGAGEMENT PROJECT

Field Visit Report

**Yadana Gas Transportation Project, Moattama Gas
Transportation Company
Operator: TotalFinaElf**

Myanmar/Burma

October 18 – 30, 2002 (First Visit)

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This document was developed as part of a collaborative learning project directed by CDA. It is part of a collection of documents that should be considered initial and partial findings of the project. These documents are written to allow for the identification of cross-cutting issues and themes across a range of situations. Each case represents the views and perspectives of a variety of people at the time when it was written.

These documents do not represent a final product of the project. While these documents may be cited, they remain working documents of a collaborative learning effort. Broad generalizations about the project's findings cannot be made from a single case.

CDA would like to acknowledge the generosity of the individuals and agencies involved in donating their time, experience and insights for these reports, and for their willingness to share their experiences.

Not all the documents written for any project have been made public. When people in the area where a report has been done have asked us to protect their anonymity and security, in deference to them and communities involved, we keep those documents private.

PREFACE

The Corporate Engagement Project (CEP) is a collaborative effort, involving multinational corporations that operate in areas of socio-political tensions or conflict. Its purpose is to help corporate managers better understand the impacts of corporate activities on the contexts in which they work. Based on site visits, CEP aims to identify and analyze the challenges for corporations that recur across companies and across contexts. Based on the patterns that emerge, CEP develops management tools and practical options for management practices that respond to local challenges and address stakeholder issues.

In this context, a team of three (Mary B. Anderson, President of the Collaborative for Development Action; Doug Fraser, Independent Consultant; and Luc Zandvliet, Project Director of CEP) traveled to Myanmar from October 18–30, 2002 to visit the Yadana pipeline project, operated by TotalFinaElf (TFE). Our purpose, as in all our visits, was to examine the interaction between corporate operations and surrounding communities, as well as the impact of corporate operations on the wider context of conflict. While our focus was on these interactions at many levels, our review inevitably also included a consideration of the corporation's effects on the human rights situation in the region of the pipeline and beyond in the country at large.

The point of departure for any CEP visit is what we observe on site and what we hear that is substantiated both by examples and by consistent repetition. Although familiarity with the history of a project and region is indispensable for understanding current operations and policies, we neither validate nor invalidate past operational policies or their impacts, unless we observe these in current dynamics.

Therefore, this visit was focused on analyzing present operations and policies and their positive or negative consequences on people living in the contexts of operations. This focus follows the same approach undertaken in all CEP work with corporations that participate in the Corporate Engagement Project.

As a matter of principle, the Corporate Engagement Project works with all corporations who wish to be engaged and who express their interest in understanding and improving their relations with communities where they work.

This visit was the first CEP visit to the Yadana Project in what is planned as a series of three. We invite feedback on the observations laid out in this report. We hope, as well, that this report will contribute to broader discussions within the company and between the company and stakeholders, on the options for corporate engagement in the Myanmar/Burma context.

Because we were examining the operations of the Yadana project, in this report we consistently refer to TotalFinaElf's role (TFE) as the operator of the project. However, our observations concern all joint venture partners.

1. INTRODUCTION

As with all CEP site visits, our preparation consisted of two parts: 1) a literature search and review and 2) discussions with a variety of experts on the roles of companies operating in Myanmar/Burma. The latter included discussions with representatives from human rights organizations, concerned shareholders, large financial institutions, and pro-democracy groups. One CEP team member also held discussions with similar groups in Bangkok, Thailand from October 30th to November 2nd, 2002, subsequent to the visit in Myanmar/Burma.

This visit in Myanmar/Burma included five days in the pipeline area and about seven days in Yangon. In Yangon, the team met with TotalFinaElf staff, civil society organizations (including staff of international ngos), government representatives, diplomatic missions and other corporations working in the country.

In the pipeline area, the team met with local community members, religious leaders, company staff, contractors, government representatives (including the navy commander of the region), and ngo representatives. The team also met with staff of Premier Oil, which operates in the same area, deals with the same group of villages and takes a somewhat different approach to community engagement.

The CEP team visited 10 of the 23 villages located along the pipeline that are included in TFE's Socio-Economic Program. Collectively, 23 villages fall within the area referred to as the pipeline "corridor" to which we will refer in this report. The corridor is the geographical area of approximately 10-15 kilometers in width and 63 kilometers in length. The 36-inch diameter pipeline is buried within this corridor. The corridor is only visible as drawn on a map; there are no physical boundaries delineating its boundaries on the ground. The concept of a corridor and its boundaries is reinforced by the fact that the government and the army have been notified of which villages lie within the corridor. TFE also uses the corridor to determine how some operations are implemented. For example, different security measures apply inside and outside the corridor; company staff does not travel outside the corridor.

For comparison, the CEP team also visited one village outside the corridor.

The visits to these eleven villages were carried out under the following circumstances:

- CEP hired an independent translator with skills for interviewing villagers.
- The CEP team were transported in a TFE car. Although it was unmarked, we are sure all villagers knew that this car belonged to TFE.
- TFE staff accompanied us to all villages. However, they were present in only three of our more than sixty conversations with villagers.
- The CEP team specified the requirements for the selection of the villages that we visited. These requirements aimed to gain the broadest and most diverse perspective possible, with consideration of the ethnic make-up of villages, the distance of the

villages from the main road and from the pipeline center (PLC), and the duration of the village's participation in TFE's Socio-Economic Program. We also insisted on visiting at least one village outside the pipeline corridor. It is our intention to visit more villages outside the corridor in future trips.

- During village visits, the CEP team often split up and moved separately through the village, conducting interviews at random. Although the TFE staff had arranged for us to meet with community members, the fact that there were three of us on the team meant that, in all but one instance, one of the CEP team and our translator would walk through the village having random interviews while the other two would discuss issues with the "communications committees" organized by TFE's Socio-Economic Program. Splitting up was made possible by the fact some people spoke English thereby allowing us this level of independence. On a number of occasions, the CEP team also stopped at villages not previously arranged and spontaneously interviewed people there.
- During visits to three "off-limit" villages (defined as such due to their perceived higher security risk) we were accompanied by a TFE security staff member who was visible but not included in, or in the range to hear, the interviews.
- The team visited the entire pipeline corridor in Myanmar/Burma, from the land entry point of the pipeline in Daminseik, to the metering station at the Myanmar-Thailand border.
- On two occasions, TFE staff were uncomfortable with our suggested spontaneous visits. This happened once in the village outside the pipeline area when we approached a house where there were military personnel inside and once outside an army barracks where women were weeding and gardening. In these two cases, we respected their unease and did not insist on these interviews.
- In our discussions, we, the CEP team introduced ourselves as operating independently from TFE. We made it clear that our visit was at the invitation of the company with the objective to observe the impacts of its operations on local communities.

This report is divided into two parts. The first section (chapters 2 and 3) reports on activities related to the Yadana pipeline and their impacts within the pipeline area. The pipeline, as with any project of its kind, also has impacts on the wider context in Myanmar/Burma. Section two deals with these. Chapter 4 discusses challenges posed to the company by these wider impacts and Chapter 5 suggests options that could enable the company to more constructively address these challenges while continuing its operations.

2. INTRODUCTION TO THE YADANA PROJECT

2.1 Context of operations

The Yadana pipeline runs from the offshore gas wells in the Andaman Sea, to the Ratchaburi power plant in Thailand. In total, the pipeline is 649 km long, 346 km in the sea, 63 km over land in Myanmar/Burma and 240 km over land in Thailand. TFE is in charge of the pipeline in Myanmar/Burma, while the Petroleum Authority of Thailand, the buyer, bears responsibility for the pipeline in Thailand. The focus of this report is on the 63 km stretch of the pipeline from Daminseik, where the pipeline enters the mainland up to the metering station in Ban I Tong on the Thai border. This stretch will be referred to hereafter, unless otherwise noted, simply as “the pipeline.”

The pipeline was constructed during 1995-1998. The entire onshore pipeline in Myanmar/Burma has been buried in a trench. A service track built alongside the pipeline provides year-round access for inspection and maintenance.

The population in the pipeline area consists of people who identify themselves as Mon, Karen, Burmese and Tevoyan. Three villages in the corridor are predominantly Karen. Most of the other villages include people from several of these groups. Religion in the area is a mix of Christian and Buddhist. Whereas most of the Karen and some Mon are Christians, the majority of the Burmese are Buddhists.

Inter-group relations in all the villages that we visited appear to be relatively harmonious. Many people gave examples of mixed marriages, and in all villages people from different ethnic backgrounds reported that they live side-by-side without any tensions.

2.2 Yadana operations

Yadana is a joint venture involving four partners. TotalFinaElf is the operator. Other partners are Unocal (USA), the PTT Exploration and Production Company (Thailand) and Myanmar/Burma’s state-owned Myanmar Oil and Gas Enterprise (MOGE).

Relations with authorities

In Yangon routine administrative matters of the joint venture are handled through MOGE. The Ministry of Energy or MOGE officials can, at a Ministers request, also be invited to attend senior level meetings between the TFE General Manager and government officials.

On site at the PLC, a MOGE representative facilitates contact between the company and the local authorities, including the army and the navy. For example, if villagers within the pipeline corridor report an attempt by the army to use their labor, the TFE Site Manager normally goes through the MOGE representative to address this with the army.

Hiring policies

Nationally, TFE hiring is based on qualifications only. The company acknowledges that this means that non-Burmese groups are at a disadvantage because they historically have had less access to quality education than the Burmese. Some jobs are advertised in foreign newspapers, particularly in Thailand, to attract qualified staff. As part of the hiring procedure, MOGE has the right to approve all new staff. To date, they have not refused any staff selected by TFE.

In the pipeline area, most non technical or unskilled labor is provided by contractors. Under the TFE hiring policy, contractors have been encouraged to favor local employees. However, after some months when TFE observed that their contractors were hiring few people from surrounding communities, they imposed a quota for local hires. At present, half of the catering staff and two-thirds of the road-maintenance staff must be local.

Only one woman, who identified herself as a Buddhist, complained about TFE's hiring policies. She said that "TFE should not hire people from many villages, especially not Christians, but only Buddhists." This comment was likely prompted by the rumor started a year ago that because TFE is a French company, they only hire Christians. However, most people with whom we spoke agreed that such rumors find little fertile ground and that TFE's hiring practices show no preference for Christians.

Relations with surrounding communities

The most direct interaction between TFE and local villages occurs through the TFE team that implements a Socio-Economic Program in the corridor. In addition, the Site Manager and the Safety Manager often have contact with villagers as part of their regular activities. Informal contact between other operations staff and local villagers is limited to an occasional sports game. All operations staff live and work almost entirely in the pipeline center (PLC) compound. Any staff that go into the field during the day are required to return to the PLC before dark (by 6:00 pm). Most staff leave the compound typically when they fly back to their homes and families in Yangon.

We were interested in how the village closest to the compound (just outside the PLC fence) reacts to TFE's presence. The CEP visited this village without any staff from TFE, and had spontaneous discussions with villagers there. In every case, they expressed their comfort with, and even appreciation for, TFE. Specifically, they commented on the careful driving style of staff (which the CEP team also observed to be extraordinary) and the politeness of company staff.

Villagers did complain about the recent sharp increase in the cost of living (notably the price of rice) but they did not relate this to the impacts of TFE. Recent severe floods had largely destroyed the rice crop and the government has not provided any additional rations to people living outside Yangon. Wages paid by TFE may also be a factor in local inflation, but villagers do not believe this to be the case because most TFE staff spend little of their money in the villages. Villagers consistently expressed a keen interest in visiting the PLC compound, which is so near but inaccessible.

Most TFE contractor personnel live in a compound in Kanbauk, the largest village in the corridor about 8 miles from the PLC. Contractor personnel are not restricted in their interactions with surrounding communities, and they shop in local markets. Feedback from Kanbauk residents interviewed by the CEP team was positive. They point out that trade in their village decreased after the completion of construction, but is still significantly higher compared to the period prior to the pipeline because of the presence of the compound.

Contracting Policies

TFE utilizes two companies to manage large field contracts: a Yangon-based company used for equipment rental and road maintenance and an international company responsible for catering (in the PLC and metering station at the Thai border) and transportation.

Few local contractors are used. TFE staff explain that this is due to their inability to meet TFE's quality and quantity standards. Currently, the company does not have any facility to upgrade the business skills of the local community to its required quality level. TFE does buy some fresh produce locally.

On the other hand, we observed that some communities are able to provide goods of sufficient quantity and quality to meet corporate needs. The example we found has to do with a programme sponsored by Premier Oil that trains local women in sewing. When these women were trained, Premier then contracted with them to provide the coveralls for their operations staff. The result is a win-win situation in which Premier gets its uniforms for a lower cost than the imports from Yangon and, at the same time, stimulates the local economy and provides income for local women.

Security Policy

Responsibility for providing security in the pipeline corridor lies with the Myanmar/Burmese Government. TFE management says that they have no contractual arrangements with the Government, but that there is an understanding that the army will provide a secure working environment for pipeline operations.

Security for the PLC compound is provided by a private security company that consists of unarmed guards at the gate and reception. One international safety and security expert (also unarmed) accompanies staff to villages or areas considered high risk and on visits outside the corridor.

The CEP team was interested to observe that, whenever we left the TFE vehicles in the villages where we were doing interviews, the keys were left in the ignition of the cars. When we commented on this to the TFE staff, they were surprised that we were surprised! It was clear that there are no apparent threats to the security of TFE staff or property. To date, TFE has received no threats of sabotage or personal violence.

Socio-Economic Program

TFE employs 29 people on its Socio-Economic Program (SEP) team. This is in contrast to Premier Oil, which has opted to work via Save the Children /USA (SCF/USA) to implement its social activities. Premier's explanation for this decision is that it wants its work with villages to be "implemented by professionals." TFE says that the socio-economic aspects of their work are "too important to be implemented without direct and personal involvement."

The Socio-Economic Program in the corridor is geographically separated from other TFE activities. The SEP offices are located in Kanbawk, the largest village in the area rather than on the PLC compound. The SEP falls under direct responsibility of the General Manager in Yangon and has a functional link with the Site Manager in the pipeline corridor.

In the pipeline corridor, TFE's socio-economic activities provide social and infrastructural services as well as income-generating projects to 23 villages. (Premier has programmes in 16 of these villages.) Ongoing programs consist of an extensive primary health care system, implemented through the health centers that are built or renovated, staffed and supplied by TFE. TFE has twelve doctors on its socio-economic team to staff these centers. Activities include treatment, outreach, public health education, a water and sanitation component, malaria prevention and family planning.

Other aspects of the Socio-Economic Program consist of educational support including the construction of schools, financial support to teachers, the provision of teaching aid and the initiation of both computer classes and a library program. The education program also operates a program to prepare children for their high school exams (nationally, fewer than 20% pass their exams).

A third component of the SEP consist of development and income-generating activities such as pig farming, chicken farming and agricultural activities such as the production of palm oil, groundnuts and rubber. The Program also includes micro-credit initiatives. No income-generating activity is entirely free of charge for villagers. Piglets and chicks are provided at a subsidized rate and interest is accrued over the loans. The villages themselves, through elected committees, determine who should benefit in the TFE programmes, based on an annual plan that they design. Infrastructural projects include a wide range of activities varying from the construction of roads, schools, bridges, water supply, market places and clinics, to the provision of a fire truck and support for monasteries and churches.

The staff of the Socio-Economic Program consists of professionals who are mostly trained in Yangon. While the majority of the SEP staff are health professionals, the team also includes veterinarians and agricultural experts who provide training and technical expertise to the villagers on an ongoing basis.

Formal communication between TFE and the villages occurs via three Village Communication Officers (VCO) who are part of the SEP team. Although part of the team, these officers (who are always women) are not TFE permanent staff but are seconded by MOGE for the duration of one year. The selection process for these positions is competitive, but the background and experience of the MOGE-seconded staff are not linked to their positions in the Socio-Economic Program.

For example, the women currently serving as VCOs worked in the administration department and the accounting department of MOGE before joining the SEP. They will return to those departments after being seconded to TFE for one year and new MOGE staff will be seconded to TFE's Socio-Economic Program. These officers receive a high TFE salary, which is equivalent to ten times their normal MOGE salary, and, as a result, these positions are highly sought after among MOGE staff.

A major task of the VCOs is to travel regularly to each village to hear people's concerns and to hold discussions with each of the 23 Village Communication Committees. These committees were established by TFE when the Socio-Economic Program commenced and consist of villagers who are elected by their communities to represent the interests of their community on a voluntary basis.

Outside the pipeline area, TFE also supports nine orphanages or orphanage schools in Yangon and also built and runs a foster home. TFE also finances a blindness prevention program implemented by Helen Keller International. CEP did not visit these programs during this visit.

3. FINDINGS

This chapter deals with observations made by the CEP team while visiting areas within and around the pipeline corridor. The chapter starts with our observations around the issue of forced labor and then discusses TFE's Socio-Economic Program and concludes with our recommendations for responding to the challenges observed.

3.1 Forced labor:

The issue of forced labor is the most controversial aspect of the pipeline operation in Myanmar/Burma. Forced labor is a practice allegedly used by the army whereby local communities, through the village head, are requested or required to provide a number of people for periods of several days to several months to work on infrastructure construction projects such as bridges and roads. Village labor can also be required to help soldiers harvest crops, to fence a compound or to carry supplies for the army ("portering"). Some partners in the joint venture are currently involved in legal cases related to the issue of forced labor during the construction phase of the pipeline. Our observations are limited to the issue of forced labor during the time of our visit.

The Government of Myanmar/Burma has issued a public order (I-99) explicitly prohibiting the use of forced labor. According to government representatives, forced labor has been prohibited for many years but the issuance of I-99 was necessary to re-emphasize the government stance. However, there is widespread agreement that the army does, in some areas, regularly require villagers to perform labor for them or to work on community infrastructure projects.

TFE's response to accusations of forced labor in the pipeline corridor is unambiguous. If attempted forced labor is confirmed after investigation by the staff of the Socio-Economic Program, the TFE General Manager immediately brings the attempt to the attention of

government officials in Yangon. At the same time the TFE Site Manager addresses the issue on a local level with the army and requests that the commander immediately stops this action.

CEP visited ten villages inside the pipeline corridor and one village outside the corridor. Despite this very small “sample,” the difference between inside and outside merits discussion. We found that:

Inside the corridor

- Ø People do express fear of the Government and the army in general, unrelated to issues of forced labor.
- Ø We found no evidence of forced labor, “portering” (carrying supplies for the army) or “security-taxation” by the army in the pipeline corridor.
- Ø Villagers repeatedly attributed the absence of forced labor and taxation by the army in the pipeline area directly to the presence of the gas companies (TFE and Premier Oil). Many people explicitly commented on the fact that the presence of the oil companies has improved their circumstances, specifically with regard to labor and taxation. More than once, we heard people express this by saying, “TFE has allowed us to sleep soundly.” When we asked communities to discuss, in general, the advantages and disadvantages of having the pipeline in their region, they often mentioned as advantages jobs, income, trade, roads, clinics, and improved schools. Almost everyone immediately indicated that, even more important than these economic and social benefits, was the advantage of having recourse when the army requested labor. They said, “TFE has the voice to be heard in high places. This keeps us from being forced to work for the army.”
- Ø Villagers reported that if forced labor were to be attempted, they felt safe informing TFE about its occurrence because they could trust that TFE would prevent the attempt from materializing.
- Ø We asked villagers many questions about forced labor in order to understand its impacts. Everyone knew of times when forced labor does occur. Many people had direct experience with it, although within the corridor it has not happened recently. Community members reported a range of reactions along a spectrum, from “very bad” to “not so bad.” Everyone considered portering for the military as “being treated like animals.” Working on plantations or going into the forest for bamboo to fence a field were considered less severe but still unacceptable. Maintenance of roads and other infrastructure was seen as less unacceptable (but still unacceptable to some and actually “acceptable” to others) due to the voluntary history of performing such activities. The timing and duration of the requirements made a very large difference in people’s reactions. Labor after the monsoon season has the most severe consequences as this coincides with the harvesting season. Duration of labor activities varies greatly (from 1-2 days to several weeks or even months). Occasionally laborers receive payment for their work. Payment has been the same over many years and because of inflation, is now substantially below market wages.

- Ø Order I-99, issued by the government to prohibit forced labor, is posted on bulletin boards in the villages. The order and its content are generally known among villagers. Inside the corridor people either feel that they “do not need to use it because there is no threat now that the company is here” or said, “With the presence of the company here, I now feel confident enough that I know I can use the paper to show the soldiers if I need to”.

Outside the corridor

- Ø The army does implement forced labor and payments regularly.
- Ø Outside the corridor, villagers reported that order I-99 exists only on paper. As one villager said, “Even the village head man cannot refuse to work, so how can I?”
- Ø We were told that villagers pay 500 kyat per month to the army. Alternatively, they have to provide food to the army.

In villages both inside and outside the corridor, some individuals reported that the army restricted their movement outside their villages at night for security reasons. The outcome of this was, however, that they could not stay overnight in their fields and, thus, their ability to earn the income they needed from their fields was impaired. This is an area where intervention by TFE might be useful.

Traveling from the village outside the corridor back into the corridor (it is difficult to say whether we were “inside” or “outside” at the time), the CEP team saw a group of women doing garden work outside an army compound. An armed soldier stood to one side. The CEP team asked the TFE staff if we could stop to talk with the women, but, although he stopped the car and agreed that we could do so, he clearly felt uncomfortable in the presence of the soldier. In CEP we have a standard agreement that we do not insist on going places or having interviews that clearly make the local people with whom we are traveling uncomfortable, so we agreed that we would not stop to talk to these women. However, when we immediately came to a fairly new village where we were told that a number of soldiers and retired military people had moved with their families, we did stop for interviews. In these interviews (again random and spontaneous) we asked the wives of soldiers about the women we saw doing gardening along the side of the road. These women confirmed the explanation given by TFE staff that the gardening women were the wives of soldiers who had a “duty” to clean the army compound and its surrounds. Although the women we interviewed expressed their dislike of this arrangement and talked about how they, themselves, had disliked doing it when their husbands were active in the army, they confirmed that the women we saw, as wives of soldiers were expected to perform this work in a traditional division of labor.

Most people, including those who were highly critical of forced labor, explained that the issue is driven by the need of local battalions for basic survival. We were told that the budgets these

battalions received years ago covered most of the costs needed to operate. It even allowed for paying villagers to work. But without any increases in budgets over time, and enormous inflation, the “need” has arisen for the army to seek food, labor and money from local villagers to maintain their own survival.

3.2 Socio-Economic Program

Yadana’s Socio-Economic Program is limited to activities in the 23 villages that are considered part of the corridor. Within this geographical corridor, two villages are not included in the Program due to their remote locations; they are only accessible by boat.

We heard from villagers in communities in the corridor that:

- Ø Villagers know about the socio-economic projects implemented by TFE.
- Ø There is an appreciation for the variety of projects implemented, such as road construction projects and free medical care in the clinics.
- Ø There is a range of perceptions among villagers about how much the programs benefit them directly. For some villagers, the construction of a road was a direct benefit, but others did not link the road to improvement in their own lives. Most people equated “benefits” with economic opportunities such as jobs and forms of capital. As one person explained “I did not benefit from TFE’s presence. Yes, we have a new road and free health care, but I cannot eat the road.”
- Ø Specific villages, however, have made better use of these public projects (notably the road) to increase their economic situation. Some of the fishing villages have benefited in particular from increased trade opportunities as their villages have become more accessible. One fisherman noted that his village had 10 fishing boats ten years ago. Now they have 130 boats, some men have multiple boats.
- Ø A significant number of people regarded the most important benefit of the SEP as the ability “to sleep without fear.” In addition, members of one community that was displaced by government forces prior to TFE’s arrival in the country credit TFE for the fact that the army allowed the villagers to return to their homes and farms. Many people felt that the presence and importance of the company to the country as a whole enables the company to ensure that the army behaves in a professional and non-threatening manner.
- Ø Some people in the villages were unclear about how the Village Communication Committee (VCC) members were elected. In one of the villages (recently included in the Socio-Economic Program), a new VCC member was also unclear about how it was decided that some people in the village receive plants from the nursery program, while others do not.

- ∅ In one village, we attended a monthly meeting of community members and Socio-Economic Program staff. (The TFE staff have one community-wide meeting in each village each month so that everyone can be heard directly rather than always communicating only through the VCCs.) The attendance rate of the families in this village was close to 100% of all households. According to some of the villagers themselves, such high attendance rates are common.
- ∅ A few people noted, however, that in order to benefit from TFE's inputs, they needed to have some economic resources of their own. For example, to buy a piglet, even at the TFE reduced rate, they needed some money. Or, to plant trees provided for free by TFE, they needed to have land. Or to qualify for a loan, they needed to have some collateral. The poorest in the communities noted that the SEP income-generating activities were not, therefore, available to them.
- ∅ Villagers repeatedly emphasized their desire for employment. Most people did not expect the company to provide jobs, but many expressed a desire to receive some kind of help in the form of start-up loans, or training, to establish their own businesses.

CEP impressions of the Socio-Economic Program

- I. The TFE Socio-Economic Program is a thoughtfully designed and implemented program. We were impressed by the fact that we heard almost no complaints (only one!) about perceived favoring of certain individuals or groups over others. Much credit goes to the SEP staff for its implementation of the Program. They asked pertinent questions and involved different groups in the communities at specific moments that, as we looked at the impacts, seemed extremely well thought through. They worked to ensure maximum buy-in of local groups while guarding fair distribution of benefits. Several specific aspects have contributed to the success of the program:
 - ∅ The SEP team is highly committed and motivated. Key staff are gifted with a strong sense for a community-based development approach.
 - ∅ The Program does not provide cash donations to individuals. All benefits are either loans or subsidized services. No socio-economic benefit is entirely free, which limits triggers of inter-group conflict or jealousy over inequities.
 - ∅ Responsibility for determining who is eligible for loans, piglets, chickens or trees is delegated to the communities themselves. The various elected village-based committees determine the beneficiaries and are thus accountable to their own communities.
- II. The SEP team seems to be well aware of the potential for creating inter-group divisions. For example, it takes care that Christian and Buddhist communities are equally supported so as not to create inadvertent conflicts through supporting one group over the other.

- III. The village-based committees in the villages established by the SEP are unusual in the region. For the most part, the government prohibits the establishment of civil society structures in the villages. The government accepts the TFE socio-economic structures because of their non-political character. On a grass-roots level, through these committees, villagers get experience organizing, electing representatives and in carrying out many other aspects of grass-roots leadership.
- IV. Significantly, perhaps the most important benefits of TFE's Socio-Economic Program are its unintended side effects. Repeatedly, villagers reported that they most appreciated the environment of safety and security that the presence of the Program generated. This presence takes the form of staff frequently visiting the village, the permanent presence of the TFE doctor and the government's respect for the area as providing TFE with a safe and peaceful working environment.
- V. The Village Communication Officers are, as noted above, the official link between company and communities through their interactions with each of the elected –and voluntary - Village Communication Committees. These are, therefore, key positions. However, they are the only positions in the Socio-Economic Program not held by permanent TFE staff but, rather, by MOGE seconded staff. Furthermore, individuals hold these positions for only one year at a time. These facts coupled with the reality that the women who become VCOs are not trained in community relations mean that these most important jobs of the Socio-Economic Program are its weakest link. The women, themselves, acknowledge that it takes five to six months for them to learn their jobs and to gain the trust of the villagers, which allows them to be effective for only half of their tenure. Finally, the fact that these women are directly connected to government (since they are permanent employees of MOGE) could be seen to compromise the political independence of the TFE Socio-Economic Program.
- VI. When the CEP team probed this apparent conflict of interest repeatedly, we found that both TFE and the villagers agreed that the SEP offers many more avenues for villagers to contact TFE staff other than the MOGE-seconded staff. If these women were mistrusted because of their link with the Government, all seem to feel that they can gain independent access to TFE through other means. In each village, the TFE doctors, agriculturists and veterinarians are in permanent contact via the technical advice they provide, or because they live (as the doctors do) in the villages.
- VII. TFE has chosen to keep the SEP physically separated from the rest of the TFE facilities. The SEP staff report directly to the General Manager in the TFE office in Yangon, indicating the Program's importance to TFE. However, separating the Socio-Economic Program from all other activities in the pipeline risks relegating the commitment to this Program to a small number of TFE staff. While all TFE staff with whom we spoke are supportive of the Socio-Economic Program and proud of its achievements, it remains a component of operations that most staff have heard about but that does not directly concern them.

- VIII. The Socio-Economic Program has focused primarily on achieving short-term objectives. The SEP staff acknowledges that the Program needs to work on a longer-term vision that takes into account the worsening economic situation of people.

3.3 Recommendations for the Socio-Economic Program

1. Expand the geographical focus

The presence of the oil companies in the villages in the corridor has enabled the implementation of the official government policy prohibiting forced labor. It is clear that in areas outside the corridor, the implementation of this policy often is not enforced. The current definition of the corridor is, by all counts, arbitrary. It would be possible over time to extend the region included in TFE's Socio-Economic Program and, thus, to extend the area where the prohibition on forced labor is enforced. While it is not TFE's responsibility to provide services or development support to the whole of Myanmar/Burma, the size and duration of the pipeline project could well support a gradual geographic expansion. There is growing evidence in many areas of the world that the areas where corporate or other large operations establish systems by which communities improve their economic and social conditions provide useful and effective models that may have broader and lasting effects.

2. Employ Village Communication Officers as TFE staff

The Socio-Economic Program would benefit from employing Village Communication Officers who are experienced and have a long-term commitment to the Program, rather than relying on staff who are replaced each year by MOGE. If MOGE wants to maintain these well-paid positions to serve as rewards for their own staff, it would be possible, and even advantageous, to double the number of Village Communications Officers. That is, TFE could employ three staff members to hold permanent Village Communication Officers positions and MOGE could continue to second three of their staff to work alongside the permanent VCOs. TFE could pay all six of these officers. This arrangement would provide the following advantages:

- a. Increased trust between TFE and local communities, likely resulting in more accurate information for the company about the communities.
- b. Increased capacity of TFE to work with the village-based VCC's will develop the organizational capacity within the village.
- c. A more rewarding experience for MOGE staff during the year that they are seconded to TFE.

3. Fully Integrate the Socio-Economic Program into core activities

Although the current set-up separates the SEP from pipeline operations (by staff living quarters and by administrative structures), TFE's daily operations do continually affect local communities and company/community relations. The CEP team observed that some aspects of the operations already positively reinforce community relations. For example, the strict limit on driving speed for all TFE vehicles – enacted for safety reasons – turns out to have positive side effects on

communities. Villagers repeatedly commented on their appreciation for this. Another such example comes from the operational commitment to environmental preservation. The company recycling program serves mutual company and community interests, in that scrap metal, battery and plastic bottle recycling achieve TFE's environmental objectives while also providing economic opportunities to communities.

These policies did not originate in the Socio-Economic Program; they were motivated by TFE's business needs for safety and environmental protection. There are additional opportunities to increase ownership within the company for community relations in general and the Socio-Economic program in particular. Benefits could be realized for both communities and company if all of TFE's operational policies were viewed through a community relations lens. Each department should be instructed to review its operations with an eye on how its methods and policies interact with communities in the pipeline area.

- Ø The cargo vessel offloads goods from Singapore at the local wharf and continues its journey to Yangon/Rangoon with available deck space. This deck space could be utilized to "export" goods (such as flowers, dried fish, fruits and animals) from the pipeline area to the capital and, thus, support local merchants in the pipeline area.
- Ø Currently TFE makes use of two major contractors for logistics, road maintenance and catering services. Neither of these contractors is local. Some contracts could be divided into smaller pieces so local contractors could realistically bid for TFE contracts.
- Ø In an area where job opportunities are scarce, several villagers suggested that TFE provide seed capital for business development opportunities. While recognizing that the company could not provide jobs to all who would need them, they expressed an interest in developing their own businesses.
- Ø Supplies for TFE operations largely originate from abroad (mainly from Singapore). Providing the training and expertise to local suppliers to meet TFE's quality standards would allow the company to source more supplies locally thereby generating job opportunities and increasing local income.

Further integration of community benefits into core activities will provide TFE with important opportunities for improving its positive impacts for local villages and for increasing ownership of the Socio-Economic Program goals among all staff.

4. Be aware of communities' possible perception of TFE's Christian bias

Some Buddhist groups in the villages claim that TFE is a "Christian" company. It is important to be aware of this perception. TFE should review the company's public relations materials and omit references to its support for religious groups, such as assisting in the construction of a new church in one of the villages. This problem cannot be addressed by announcing contributions to all religions because Buddhist culture considers it wrong to boast about support that one provides.

5. Design programs for the poor

The poorest among the villagers have the least opportunity to benefit from TFE's current Socio-Economic Program. We have seen in other contexts that making company benefits accessible is the best insurance that no specific groups in society feel that they have been left out, and thus, that they become susceptible to anti-company sentiment. The SEP team could develop a program aimed at providing economic opportunities for the poor. For example, we wondered if there were opportunities for establishing a flower farm (possibly as a cooperative for the poor) and marketing these flowers in Yangon with the cargo vessel.

6. Document the Socio-Economic approach

The approach taken by the SEP team provides valuable lessons for similar TFE programs elsewhere in the world. A detailed description of the processes by which the various programs were initiated, which decisions were made, who was involved, at which moment, who was not involved could be extremely useful for TFE colleagues dealing with similar challenges in other countries.

7. Report on outcomes

The reporting systems of the SEP focus primarily on the inputs of the program such as the number of consultations in the clinics, the number of trees distributed or the percentage of loans recovered. The reporting system will gain strength by also including measurable outcomes as a result of the inputs. Such indicators include an increase or decrease in students that find employment after successful completion of the tuition class, changes in morbidity and mortality rates as a result of health services provided through the clinics and differences in disposable income levels of households related to the income generating activities of the SEP. Based on our interviews it is apparent that the SEP is beneficial to local communities. But only by systematically looking at outcome indicators can the success of the SEP be objectively measured.

8. Establish a longer-term vision for the Socio-Economic Program

Given the success of the Socio-Economic Program to date, the time is opportune for considering the long-term vision for the Program and, in particular, its sustainability without the direct involvement of TFE. TFE currently provides total support to the village health system and this could cause serious disruptions if TFE withdrew its support. Alternative funding mechanisms should be explored, including establishment of a trust fund with the revenues of the pipeline (an option successfully tried in other countries.).

4. CHALLENGES

The impact of the pipeline on conflict and social tensions in Myanmar/Burma goes beyond the direct impact in the pipeline area. External stakeholders such as INGOs shareholders, and

governmental bodies encourage TFE to take, and be seen to take, more responsibility for its impact at the national level. Some stakeholders urge the company to divest altogether from Myanmar/Burma. Others advocate for the company to stay but to take a more active role in engaging with the government. Opinions vary widely about the form this kind of engagement should and could take.

These circumstances pose several challenges for TFE:

1. How much is enough? It is fair to say that TFE has improved the quality of life for the villages in the pipeline corridor consisting of around 40,000 people. Critics, however, claim that the gas revenues provide funding for the government and that TFE's presence provides a degree of legitimacy for government actions, thereby negatively affecting the fifty million people in the rest of the country. The Myanmar/Burma government will begin to receive its full revenue stream in 2005 (when it has paid off loans for its investment in the pipeline) and some stakeholders fear that a portion of that revenue will fund military activities.
2. Engagement vs disengagement. Critics argue that by staying in the country, TFE's presence has human rights consequences. However, were TFE to leave the country, this too would have human rights consequences. All but one person with whom we spoke felt that if TFE left the country now, the result would be negative. (Some did feel that if the company were considering whether or not to start operations now, they would recommend that it not do so, but that under the circumstances, they agree that for TFE to leave now would have a significant negative impact on the country's welfare.)
3. The interpretation of TFEs Code of Conduct (CoC). TFE's CoC for Myanmar/Burma is clear in its objective of establishing and maintaining high ethical standards in the area of its operations. The definition of "area of operation," however, is open to interpretation. Should it only include the pipeline corridor, or does the company's inevitable impacts on the national level require that it assume additional responsibility at that level as well? On the other hand, some TFE officials feel that the company should refrain as much as possible from dealing with the government pointing out that the CoC also explicitly prohibits "political interference" in other's affairs.
4. No forced labor: at what cost? From our field interviews, we concluded that forced labor takes place just outside the corridor. One humanitarian actor noted that the creation of a corridor in which the prohibition of forced labor is enforced does not reduce the overall demand for forced labor. Instead, he noted that this "squeezes the people outside the corridor," meaning that the pressure for forced labor in other areas has probably increased. This comment again underscores the success of TFE's effort to provide a safe area, but it also poses concerns about the unintended side-effects of this success for those not directly protected by the company.

There is no manual for operating in a context such as Myanmar/Burma. The number of stakeholders both within and outside the country is large, each with its own perspective, agenda and objective. Some of these agendas are conflicting. Actors within the country have views that

differ from those outside the country. In addition, limited access to some areas in Myanmar/Burma means that independent assessments are difficult to conduct. As a result, there is disagreement about facts that in other contexts would be well known. All this makes the discussion about TFE's role in Myanmar challenging.

As in all of the contexts where the Corporate Engagement Project has worked, there are options and choices to address these challenges. Through discussions with the relevant stakeholders, interested parties can agree on benchmarks and explore the alternatives available to the company to work towards a presence that satisfies the demands of the key stakeholders: the people of Myanmar/Burma, the government, TFE shareholders and company employees.

5. OPTIONS AND ALTERNATIVES

Central to CEP's concern is how corporate activities impact communities both on a local as well as on a national level. TFE focuses on local communities but is hesitant to address its impacts on communities on a national level.

The criticism of external stakeholders of TFE's role in Myanmar/Burma is motivated by a concern, which is shared by CEP, about the welfare of the Myanmar/Burmese people. This concern is focused on the impact of TFE's activities on two levels; on the local level it relates to the issue of forced labor while on a national level TFE is indicted of buttressing a government that is being accused of human rights violations.

CEP found no evidence that forced labor, or any other human rights violations, took place in the area that TFE regards as its working environment. Still, the concerns of some critics about TFE's impact on a national level are relevant to CEP because these critics propose that TFE should withdraw from the country. CEP sees a problem in calling for the withdrawal of the company. In our judgment, based on the interviews we had both inside and outside the country, this would likely cause more economic hardship for local communities while there is no evidence that TFE's withdrawal will benefit communities elsewhere in the country. From our conversations with nationals and other insights provided by those working with the Myanmar/Burmese people, it appears to us that divestment is not the chosen option of the many of the local population either.

On the other side, while the impact of the company on a local level is positive, continuation of the current policy will not address the potentially negative impact of the pipeline-generated revenues on communities elsewhere in the country. Even if the Socio-Economic Program were to increase its positive impacts dramatically, the external demands for the company to take broader responsibility for political engagement would still not be met.

TFE maintains, rightly, that companies should not substitute for governments. It is not, and should not be, the role of any corporation to manage the politics of a host country. Therefore, TFE should not assume responsibility for the future of Myanmar/Burma; it is up to the

Myanmar/Burmese people themselves to determine their own future. Still, the challenge for the company is to be seen as playing a positive and constructive role in the country.

Given this complexity, the CEP team identified a number of opportunities for TFE to address these political issues beyond the scope of the Socio-Economic Program. For example, we noted:

- Ø Self-imposed restrictions and assumptions limit the company's options for more extensive engagement. These include:
 - § Some people in the organization associate being "politically involved" with "taking sides." We disagree. Not engaging with political actors does not imply that the company is seen as politically neutral. In fact, some external stakeholders consider the current "non-political" stance of TFE as supporting the government. Experience from other countries shows that multiple options exist to be engaged with political actors in ways that are transparent, constructive, impartial and that are not considered as political interference.
 - § There appears to be no reason why the geographical boundaries of the corridor cannot be further expanded. TFE policy concentrates strictly on the pipeline corridor, but in 2000, TFE expanded the number of villages included in the Socio-Economic Program from 12 villages to 23 villages.
 - § Most TFE staff assume that the Government is a monolithic entity over which the company has no influence so that there is little point in trying to engage positively. Experience during this visit and in other areas where CEP has worked shows that no government is monolithic and that there are always individuals and groups of bureaucrats who are open to and working for alternatives.

- Ø The company assumes that it will continue to obtain the support of the authorities, regardless of who is in power. However, this assumption has not yet been tested with all stakeholders. By engaging in informal meetings with a wide variety of groups interested in the future of the country, the company may test this assumption.

- Ø The political situation in Myanmar/Burma clearly poses business problems for the company in terms of its negative impact on the company's reputation worldwide. Consequently, improvements in the political situation in Myanmar/Burma will reflect positively on TFE's activities worldwide. This means there are opportunities to also increase the emphasis on reputational security and safety for the company.

A first step in utilizing these unexplored opportunities is to clarify TFE's objectives with regard to the role it can play in Myanmar/Burma apart from producing gas. How does the company view its wider contribution to the country? Does the company want to become, and be seen as becoming, more pro-actively involved in determining the future of the country? What options exist for staying in country while satisfying the concerns of external stakeholders? Once these objectives are clarified, agreed upon and communicated to the relevant stakeholders, a strategy can be developed to achieve them.

The CEP team sees possibilities for TFE management to transform these challenges into opportunities. Being operational in Myanmar/Burma poses dilemmas for which there are no easy answers. It is our impression that continuing the company's current approach will bring only partial success, but it will not meet societal expectations related to the welfare of the Myanmar/Burmese at large nor those now associated with corporate social responsibility in the world at large.

TFE is well positioned to distinguish itself internationally by setting new standards in the industry for operating constructively in a challenging context. Alternatives should be explored both on a national level and an international level. The underlying objective of our suggestions is for TFE to explore, and to be seen to be exploring, the positive contributions the company can make in Myanmar/Burma without impeding its operational activities.

The national level

1. Engage with NGOs and intergovernmental agencies that want to make a difference.

Although the ultimate objectives of companies and INGOs vary, on an operational level the challenges for NGO's, intergovernmental agencies and multinational companies are strikingly similar. For example, each has to explain its presence in the country both to national and international stakeholders, each organization feel it has limited information, and each feels that its ability to operate is clearly delineated and limited. Thus, partnerships among these entities are more natural than they may initially appear.

Maintaining contact with various NGOs provides numerous opportunities:

- A. TFE can learn how different organizations handle the challenges they face from internal and external stakeholders who criticize their presence in Myanmar/Burma.
- B. TFE would benefit from suggestions and feedback from NGOs about the role that the company can play. Each organization has different strengths and weaknesses vis-à-vis working with the Government. TFE would learn how to strengthen their own dealings with the government by hearing how others do so.
- C. A quarterly meeting with INGO's would provide TFE with more information about the humanitarian situation in the country.

Some NGOs we interviewed welcomed the idea of meeting with TFE. The country director of a large INGO told us that, "If TFE would make the commitment to be a positive force in this country, opportunities will present themselves for doing so. We would jump at the possibility to discover these opportunities with them." The General Manager of TFE has already begun to reach out to the INGO's to familiarize himself with their perspectives, and he deserves much credit for this initiative.

2. Engage with the government.

No government is monolithic. We heard several examples regarding officials who are receptive to suggestions offered by outsiders. The reality is that the company must deal with the Government. Thus, the challenge for TFE is how to work with the Government in ways that do not feed into the conflict but, instead, increase stability and progress in the country. The Government's membership in the joint-venture positions TFE well to find a means for working with the Government to serve the citizens of Myanmar/Burma.

TFE must engage with the Government in a constructive, transparent and committed manner. Engaging with the Government does NOT mean that the company takes sides. Rather, it shows the company's adherence to its own Code of Conduct and its support for holding the Government accountable for its own policies, such as abolishment of forced labor. In addition, the fact that the political situation in the country affects TFE business negatively, underlines the business case for TFE to be part of a positive change in Myanmar.

There are no simple formulae for constructive engagement with the Government. Nor is it clear how much leverage the company has to engage positively with government actors. But we are encouraged by the following facts:

- Some companies (Premier Oil and Unocal) have supported human rights training for civil servants and have received the cooperation of the Government in doing so. In fact, these companies note that they were more successful than expected in organizing these trainings.
- Other companies and organizations that work with the Government are of the opinion that TFE, (being the largest foreign investor in the country) has considerable leverage.
- There is no evidence that the Government would consider acting against a company even if it considered the company's steps undesirable. Instead, most people agree that, based on past experience, the Government would simply not react if they did not appreciate the suggestions put forward by TFE.
- An INGO representative who frequently deals with the Government explained that officials do not like to leave a paper trail. Despite the fact that he receives no response to written requests, his letters are read and acted on. He explained that he has access to officials to discuss "controversial" matters. This INGO has consistently, against all predictions, received the cooperation of officials.
- A number of diplomats and UN staff stressed the importance of establishing durable relationships with Government officials. They observed that personal relationships allow them to convey issues of concern to the Government and to be listened to.

Options for TFE's engagement with the Government include:

- A. Expand the network of relationships with key government officials. TFE managers recognize that frequent meetings with officials provide opportunities to promote positive actions.
- B. Work with the Government on its commitment to abolish forced labor and offer support for enforcement of Government policies, for example through supporting ILO fact-finding efforts.
- C. Legitimize, support and strengthen existing Government programs that follow logically from TFE's commitment to its own Code of Conduct. One such example is the Human Rights commission, chaired by the Home Minister, which was established by the Government.
- D. Explore avenues for influencing Government spending of oil revenues, (for example on energy needs). Myanmar/Burma is an energy deficit country that exports its natural resources to a neighboring country, aided by TFE. Creative thinking may generate options that ensure that the pipeline revenues are solely utilized for the provision of social services and infrastructure within the country. For example, TFE could establish a trust fund that would lend credibility to the seriousness of the company's long-term commitment in Myanmar/Burma, while also addressing concerns of critics that revenues from gas are allocated towards the war.
- E. Encourage the Government in its efforts to professionalize its army. The ICRC, for example, has a long-term presence in the country and is particularly well positioned to provide training in international humanitarian law to the military.

On an international level

At the international level, the controversy over the presence of international companies in Myanmar/Burma exists in two main areas:

- q There is disagreement on the facts.
- q There is a difference of opinion how the facts should be interpreted and what consequences this has for the company.

It is extremely difficult to find solutions to problems when parties disagree about the basic facts upon which they base their positions. Allowing this controversy to continue is neither constructive nor productive; it postpones the discussion of how the facts should be interpreted and addressed.

Any effort to constructively engage with multiple stakeholders should follow a two-step approach:

I. Work toward agreement on the facts

Options for doing this include:

1. Invite stakeholders to visit the company's operations

Many external stakeholders say it is difficult for them to gain access to the pipeline area. TFE management is committed to inviting outsiders to visit the pipeline area to observe company activities. The company could immediately invite some NGOs and other stakeholders based in the area to observe the company's practices. One major advantage of this approach would be that these external stakeholders could correct one another's information and move toward agreement on key facts regarding the company's activities. This would help eliminate the controversy surrounding the facts of TFE's presence in the country.

2. Provide more information about the ways in which TFE is already engaged

TFE is already engaged in various ways to ensure that no forced labor or other human rights violations take place within the pipeline corridor. The company has established procedures and monitoring systems in place for taking action, if necessary. These procedures are not known by outsiders. Being more explicit about the processes in place, the occasions on which action is undertaken, and the company's accomplishments would contribute to a more accurate understanding of the company's policies and activities.

An Ambassador pointed out the lack of free flow of information inside the country. He suggested that TFE produce an annual report on its activities in the country that would achieve two objectives a) it would disclose information in a comprehensive manner and b) it would generate a leap in the information available in the country. TFE could emphasize its openness by also including discussion about the role of the company in Myanmar/Burma in the report. For example, it could invite individuals within the country to react to the report, and publish a balanced sample of these reactions in subsequent reports.

3. Clarify who is speaking on who's behalf

We experienced a great divergence of opinion between those working and living in the country and those working and living outside the country. While all agree that it is time for more openness in Myanmar/Burma, the people to whom we spoke inside the country simply did not share some of the assumptions on which external campaigns are based. One example of an external argument that does not match internal views is the assumption that withdrawal of international companies will lead to economic pressure on the population which will, in turn, lead to pressure for a new, peaceful and democratic Government. Although our sample was small, it represented a range of political views and social locations. In our interviews, we did not hear any support for the assumption that this would work. We did hear a number of people describe why this approach would not work in this context. First, they said, the economic situation in Myanmar/Burma has made it difficult for people to concentrate on anything other than survival. Second, many people feel discouraged by the Government's previous responses to public pressure; they fear a military reaction if they would pressure the Government again publicly. Third, even if the military would take a background role, many diplomatic observers point out that the differences between the various ethnic groups in the country and limited

experience with democracy in the country make it not automatic that peace and democracy will follow.

Although outside groups play a key role in keeping important issues on the agenda, it is important for TFE to determine and clarify who speaks on behalf of whom, and who represents the voices of the people of Myanmar/Burma.

II. Agree on the company's role in the country

1. Develop an approach for constructive engagement with external stakeholders.

The critics of the company have played a valuable role. External criticism has intensified the debate within TFE. One of the results of this is that TFE invited independent outsiders to help the company think through the consequences of their presence in the country.

Based on our interviews prior, during and after the visit, we identified areas of shared objectives between company officials, government officials, pro-democracy groups, shareholders and others. In fact, some people argued during the visit “both the INGOs and the company need each other to contribute to a peaceful and prosperous Myanmar/Burma”. To focus on the shared objectives will be a first step in increasing ownership for developing options for how the leverage of the company can be used to improve the situation in Myanmar/Burma.

A broad and inclusive consultation process does not imply that all stakeholders are involved in every discussion. Different groups have different interests and different assets to bring to discussion. They play different roles in different phases of a process. Discussions with different groups may each require a different objective with a different approach. For example, discussing a long-term vision with concerned shareholders would involve more listening and exploring, while discussing the establishment of a trust fund would start from a clear outline of a limited number of options.

Consultation is not always useful or effective by definition. Experience shows that undirected and unfocused consultations can have negative impacts. Some things (specifically those where one party has only one option) should not be “on the table,” while other things should be considered by all interested groups. A dialogue must begin with a genuine interest from stakeholders to help the company think through the implications of working in the country and to generate options that will allow TFE to be an active contributor to a better situation in Myanmar/Burma.

2. Agree on benchmarks.

Effective consultation occurs, most often, when clearly defined and transparent parameters are set from the start. In our discussion with critics of TFE, we asked what the company should do to make its presence in Myanmar/Burma “acceptable.” Even the clearest critics had difficulties answering this question with concrete options. This underscores the need to establish generally agreed upon benchmarks that the company can work toward.

A first benchmark would be to get agreement on “the problem”. Obviously, this is less straightforward than it seems.

Benchmarks should focus on the type of actions and activities that fall within the company’s control. They should not be framed to address broad changes in the political climate in Myanmar/Burma. While the broader goals are important, TFE cannot be expected to achieve those goals as a single, non-state actor. Rather, there are multiple options through which TFE could show that it is in the process of working to better circumstances in the country.

3. Invite ideas, suggestions and feedback from a wide audience

A number of the stakeholders with whom we spoke felt that TFE’s communication has been defensive. Others noted the company’s disproportional emphasis on the positive impacts it has had on local communities. “They have not realized yet that the world around them has changed” was another comment heard several times.

A more balanced and transparent approach to communication with outsiders will help break that cycle and, instead, generate options for the company to become more forward-looking. Inviting constructive ideas, suggestions and feedback from a wider audience will enhance reputational value and increase the external ownership of and solutions for the dilemmas.

4. Involve TFE staff in communications

We were impressed by the level of discussion that takes place within the company and on site. TFE management is well aware, articulate and transparent about the challenges their operational environment poses. TFE could make more use of the staff in Myanmar who demonstrate keen awareness of their context to give TFE Myanmar a “face” and show the complexity of operating in Myanmar. In addition, it would help shed the defensive character of the organization.

CONCLUSION

The participation of TFE in the Corporate Engagement Project consists of three visits for the duration of the program (ending at the end of 2003). This report forms the beginning of that process. As this report will be a public, we welcome constructive feedback and reactions. This will allow us to be better informed and prepared for a next visit to Myanmar/Burma in the spring of 2003.

The Myanmar/Burma operations confront TFE with the inevitability to make choices about the manner in which it wants to operate: maintaining the current status quo is not going to improve the company’s relationship with external stakeholders. Meanwhile, adaptation of the operational strategy in Myanmar offers viable options and opportunities to “get it right”. The incentives for achieving mutual agreement with external stakeholders about the role of the company in Myanmar/Burma are rewarding; if the company is successful in Myanmar, the process of achieving this may contribute to setting a new standard for the industry.